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Experts fear end of oil road by 1985

By John W. Kole

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Washington, D.C. — Using the Department of Energy's most optimistic projections, the free world's oil production could be outstripped by demand by 1985 — or sooner.

That gloomy outlook was described to the House Intelligence Oversight subcommittee as officials of the CIA reiterated their judgment that without much greater conservation, the demand for oil could exceed production by the early or mid-1980s.

"It looks like Armageddon," said Rep. Romano Mazzoli (D-Ky.). "We may well have reached the precipice. Are we facing an abyss?"

Rep. Les Aspin (D-Wis.), chairman of the subcommittee, said he was disturbed that the public was not paying more attention to the CIA analysis, which was released two months ago.

"Either people aren't reading this or aren't believing it," Aspin said. "How do we get the message across that this could be a very serious situation? Why is it that this doesn't get through?"

Moderate for a while

Maurice Ernst, director of the CIA's Office of Economic Research, said the current economic slowdown could moderate demand for oil in the immediate future, but "we cannot count on increased supplies being available to meet rising demand during the next upswing of the business cycle."

Ernst noted that the agency's first unclassified study in April, 1977, had predicted:

"In the absence of greater energy conservation, projected world demand for oil will approach productive capacity by the early 1980s. In these circumstances, prices will rise sharply to ration available supplies."

Although the CIA was criticized then for being overly pessimistic, Ernst said: "We turned out not to be pessimistic enough. Witness the 60% increase in oil prices since 1978."

More valuable in future

Officials of both the CIA and the Energy Department agreed that oil-producing countries in the Mideast had reduced growth in production after the Iranian reduction, realizing that petroleum would be much more valuable in the future.

"The industrial countries somehow will have to adjust to a slow growth of energy supply and a stable or declining oil supply," Ernst said. "The adjustment will take the form of increased energy conservation, reduced economic growth, or most likely, some combination of both."

"Holding energy demand to projected supply levels without lowering economic growth targets below the 3% to 3½% annual rates normally considered acceptable would require unprecedented rates of conservation — substantially higher than in recent years."

Soviets affected

Afterward, CIA Director Stansfield Turner noted that the Soviet Union also would face a series of "painful choices" in the early '80s because of declining oil production there.

"Overall, the bulk of Soviet energy is consumed by heavy industry," he said. "We all know how much priority the Soviets put in the area and how costly and difficult it would be to cut back."

He also defended the CIA prediction that oil supplies will not stabilize in the coming decade, even though the Energy Department disagrees.

"We see indirectly a consensus in the industry that is on the side of decreased output," he said.